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# SYSTEM AND METHOD FOR GENERATING RESIDENTIAL LOAN DOCUMENTS FROM MULTIPLE AND DIVERSE DATABASES

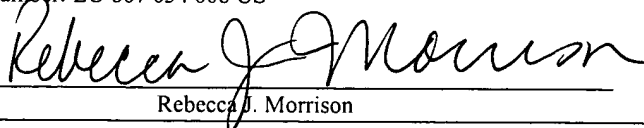INVENTORS:

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# A SYSTEM AND METHOD FOR GENERATING RESIDENTIAL LOAN

# DOCUMENTS FROM MULTIPLE AND DIVERSE DATABASES

## RELATED APPLICATIONS

[0001]     This application claims the benefit of provisional
5    patent application no. 60/394,408 filed July 8, 2002, entitled,
"System and Method for Generating Residential Loan Documents from
Multiple and Diverse Databases."

## TECHNICAL FIELD OF THE INVENTION

10   [0002]     The present invention relates generally to systems and
methods of preparing documentation, and more particularly, an
improved system and method for preparing residential loan
documents that proactively identifies and eliminates potential
errors by reconciling discrepancies and synchronizing data
15   between multiple and diverse databases using business logic from
multiple entities.

## BACKGROUND OF THE INVENTION

[0003]     According to estimates, mortgage bankers spend in excess of $150 million per year fixing errors associated with closing documents for mortgages.  These errors are often caused by erroneous or incorrect information mistakenly supplied by mortgage originators to their investors.  Costs for these errors arise from the fact that these errors are not identified until after closing.  Currently, no systems or methods proactively identify and prevent the errors prior to the closing and funding of the loan.  In current systems mortgage originators maintain loan data used to prepare the closing documents.  If mortgage originators prepare the loan documentation, the investor has no control over the data flow from the mortgage originator to the closing documents, and the investor cannot prevent these errors from occurring.  Furthermore, existing document preparation systems and origination software systems do not allow closing documentation to be customized to an individual investors business needs.

[0004]     Existing systems were, for the most part, created by software companies, which merely attempted to fit their existing software applications to the residential mortgage industry.  These systems are desktop applications residing on the computer systems of each and every user, which translates to non-centralized information that is difficult to maintain and update.  These attempts to bring improved document automation to the mortgage industry have many problems.  Typically, these solutions are generic and rigid in nature and comprise a set of electronic documents. Their input processes lack the intuitive or logical flow associated with the preparation of residential mortgage documents.  They also lack the flexibility required to address unique or complex solutions.  The resultant set of documents are "cookie cutter" packages and address only a limited number of loan types such as those provided by FHA, VA, or FNMA/FHLMC

Conventional Loans. These software applications require multiple and repetitive manual data entries, which are susceptible to transcription errors. Since the document package is generic in nature, many unnecessary data entries are presented to users for

5    completion. The presentation of unnecessary and misleading data fields not applicable to the current loan complicates matters and confuses the user.

[0005]    As previously stated, these software solutions rely heavily on the loan originator's data and do not compare

10   information obtained from multiple databases and from different sources. Investors cannot control information that is submitted from the originator. As a result they are unable to ensure their specific business rules or compliance requirements are adhered to. Required data by the investor may or may not be within the

15   information supplied by the originator. Since investor business rules and compliance requirements may not be applied to individual loan packages, packages that would not normally be processed or accepted by investors are submitted and approved without a thorough and qualitative review, causing a substantial

20   loss for the investor.

[0006]    The errors found in these loans often include but are not limited to: the failure to properly document the proper expiration date for a given interest rate; an improperly listed interest rate; the wrong loan program being cited for an

25   individual loan application; or the failure to include investor fees within the individual loan. If for example, an individual investor's fees are not present in the documentation, the fees are not paid when the mortgage is funded. Other elements of the funding are paid; however, the investor's fees, if omitted are

30   not. The revenue streams from these fees, which vary per loan, are forever lost.

[0007]    Another typical problem occurs when the loan documentation supports the wrong loan program. This often occurs

when generic information is gathered.  Since current software applications gather a great deal of generic and often extraneous information, documents can be properly prepared for the wrong loan program.  This can result in the funding of loans that do

5   not qualify for specific programs.  When this occurs, investors must discount those loans in order to sell them in the secondary market, and in so doing incur a loss.

[0008]   One example is the 3-1 lock wherein the mortgage is closed as a 5-1 lock.  This error may not be identified until 2

10  to 5 weeks after closing.  If the mistake is identified after the lock has expired, the investor must discount that individual loan because of the error.  Another common error involves private mortgage insurance (PMI).  When a loan has a loan to value ratio greater than 80 percent, PMI is required.  If PMI is not properly

15  purchased at closing, investors must purchase, at their own expense, a fully paid PMI policy.  Investors pay substantial amounts as one-time buyouts for the failure to properly include PMI at the mortgage's inception.

[0009]   When interest rates increase, these errors can cause the

20  loan in question to be at a lower rate than the current market, creating difficulty in realizing the value of these loans.  To correct these errors, investors must again discount the value to account for the increased interest rates.

[0010]   A means of proactively detecting and correcting errors

25  before closing would be extremely valuable within the mortgage industry.  Centrally maintaining and auditing data in one location could help prevent these errors.  Thus, a comparison of the data provided by the originator to what is required by the investor for a specific loan could ensure that the loan fully

30  meets the investor's requirements.  Furthermore, it is desirable by most investors to offload the documentation preparation to mortgage originators, while maintaining quality control and ensuring compliance within the various loan programs.

## SUMMARY OF THE INVENTION

[0011]    The present invention provides a system and method for preparing residential loan documents that substantially eliminates or reduces disadvantages and problems associated with
5    previously developed systems.

[0012]    More specifically, the present invention provides a purely Web-based solution for preparing residential loan documents that is capable of utilizing multiple and diverse databases from different sources.  The present invention is
10    designed to receive data from different database sources (mortgage originator, mortgage banker, title company etc.) as those sources develop the ability to transmit said data.  A comparison engine compares the provided data and identifies discrepancies with the incoming data.  Next, the discrepancies
15    are viewed and reconciled pursuant to the logic or business rules established by the entities involved.  A documentation preparation engine receives any additional information from the user.  A compliance engine audits the reconciled data and additional information to ensure consistency with procedures and
20    compliance requirements, and allow noncompliant data to be identified and reconciled. Documents from the forms library are then populated with the information and delivered by a documentation delivery engine to the end user.

[0013]    By avoiding the labor-intensive practices of prior art
25    solutions; common transcription errors are prevented within the final mortgage documents.  Additionally, by comparing data as provided by different users, data entry is standardized throughout the documentation preparation process.

[0014]    Another advantage provided by the present invention is
30    the ability for investors to delegate the preparation of closing documents to originators while maintaining a level of quality control.  Thus, the opportunity for originators to create errors within the residential loan documents is minimized.  This is

achieved by providing the investor with the ability to control or limit the originator's action. Investors can force mortgage originators to observe the investor's business rules as well as any other compliance requirements. The investors can limit what

5   information the originator can enter, and what documents are available. Once a loan program or type is selected only consistent information with that program, the investor's business rules, or other compliance requirements, will be accepted by the system and method of the present invention.

10  **[0015]**    An example of an individual business rule is the investor restricting the number of days an originator can "short pay." A "Short Pay" allows a buyer to make a nonstandard loan payment at the beginning of the first month immediately following closing. An overwhelming majority of mortgage notes closed that

15  are sold to Fannie Mae, Freddie Mac, FHA, or VA require their payments be due on the first of the month. This requirement stems from the securities created by pooling these loans. Currently, when an individual closes on the $20^{th}$ day of the month, the first payment is not due ten days from closing but

20  rather the first of the first full month following closing. At closing, buyers typically pay the ten days of interest for that month. The same situation arises when one closes at the beginning of the month. For example, if closing occurs on May $2^{nd}$ the parties may not want to wait until July $1^{st}$ for the first

25  mortgage payment. It would be more reasonable to receive the first mortgage payment on June $1^{st}$. To make this nonstandard payment, a "Short Pay" is utilized. In contrast to the standard rule of receiving the first mortgage payment after the end of the first full month following closing, individual investors may

30  specify rules how far into the month the individual investors are willing to accept a "short pay". Rules that govern "short pays" are based on the investor's own internal processes. Notes must be entered into the investor's accounting systems prior to

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acceptance of the first payment. Many notes require more than 10 or 15 days to be entered into the investor's system, thus investors are often unwilling to accept a short pay after the 5<sup>th</sup> or 8<sup>th</sup> of the month. The present invention allows this and other

5    business and compliance rules to be entered in order to avoid such problems and address a variety of situations.

[0016]    The present invention also creates a new market for investors by placing the investors in the business of preparing residential loan documents. By using the system and method of

10   the present invention, the originator actually initiates the residential loan documents, under limitations and controls imposed by the investor. The investor is able to utilize the present invention to provide a service presently provided by third party vendors. The present invention also provides a new

15   revenue stream as it simultaneously reduces errors for all participants.

[0017]    The present invention not only can utilize data from multiple databases in the preparation of mortgage loan documentation but also has the ability to push back

20   information not held within one of  the databases utilizing the system. An example of such usage would be the ability to obtain information from an originators database regarding fees to be collected for the loan transaction. When all the fees are presented to the

25   Application, the regulatory requirements are present to properly prepare a Truth-in-Lending disclosure along with the    calculation of the required "adjustment adjustment" needed for proper preparation of the settlement statement. The figures calculated by the system

30   can then be pushed back to the investor database in an automated process instead of manually entered at a  later date.

[0018]    As the mortgage industry continues to automate, numerous databases are being created to prevent fraud seen

throughout the industry. The present invention has the ability to draw on these additional databases to provide quality control measures that are increasingly relied upon by the industry to reduce l o s s e s caused by fraudulent

5   transactions. Not only can the present invention tap into those databases, but also just prior to the delivery of the documents for execution by the borrowers, any information previously provided can be reverified. Reverification assures that updated information has not been overlooked in making a

10  loan to the prospective borrower. This automated process can save lenders and legitimate borrowers millions of dollars on an annualized basis.

[0019]   Furthermore, investors can s a f e l y o f f l o a d d o c u m e n t a t i o n preparation t o orignators with

15  specific limits as to what actions originators may perform dependent on investors business rules and other compliance regulations. This may result in a reduction in the demand that these errors place on an investor's statf.

[0020]   The present invention provides a significant improvement

20  over existing systems in that the present invention allows the originator or the investor to generate high quality customized documents for a nearly unlimited number of loan types while minimizing errors associated with data entry in the residential loan documentation preparation process.

25  [0021]   Investors maintain control of residential loan documentation preparation and ensure that various compliance requirements are met prior to closing. This reduces costs associated with individual loans. Another advantage lies in the fact that the present invention allows for interfaces that tailor

30  themselves to a wide variety of residential loan programs per the requirements of each investor.

[0022]   The present invention provides a great number of advantages over existing loan documentation preparation systems.

Primarily, the present invention prevents many costly errors, thus reducing post-closing costs associated with residential loans. These errors often cost tens of thousands of dollars, dependent on the discounts necessary to correct these errors. By

5 providing a system and method wherein information or valuations, which have not traditionally been properly audited prior to closing, are proactively examined, these errors are prevented. Furthermore, the present invention allows investors to safely offload documentation preparation to originators with specific

10 limits as to what actions originators may perform dependent on investors' business rules and other compliance regulations. This may result in a reduction in the demand that these errors place on an investor's staff.

## BRIEF DESCRIPTION OF THE DRAWINGS

[0023]    For a more complete understanding of the present invention and the advantages thereof, reference is now made to the following description taken in conjunction with the

5    accompanying drawings in which like reference numerals indicate like features and wherein:

[0024]    FIGURE 1 depicts an embodiment of the present invention;

[0025]    FIGURE 2 provides a screenshot of a "Discrepancy Report" generated by the present invention;

10   [0026]    FIGURE 3 presents screenshots to be viewed by a user;

[0027]    FIGURES 4A and 4B present screenshots of the interface provided by the present invention;

[0028]    FIGURE 5 provides a general flowchart depicting the stages of loan document preparation addressed by the present

15   invention;

[0029]    FIGURE 6 depicts a situation wherein property located near the border of two counties can lead to mortgage insurability issues;

[0030]    FIGURE 7 provides screenshot of a "Document Set" page

20   depicting various delivery options for document packages as provided by the present invention;

[0031]    FIGURE 8 provides a flowchart illustrating the flow of information within the present invention;

[0032]    FIGURE 9 illustrates a simplified version of the present

25   invention;

[0033]    FIGURE 10 illustrates an intermediate version of the present invention;

[0034]    FIGUREs 11A and 11B illustrates a variety of business rules;

30   [0035]    FIGUREs 12A and 12B illustrate various investor defaults;

[0036]    FIGURE 13 illustrates various business rules that may be associated with specific originators.

[0037]    FIGURE 14 depicts default forms to be associated with an individual investor; and

[0038]    FIGURE 15 depicts an audit setup.

**DETAILED DESCRIPTION OF THE INVENTION**

[0039]    Preferred embodiments of the present invention are illustrated in FIGUREs, like numerals being used to refer like and corresponding parts of the various drawings.

5    [0040]    One embodiment of the present invention is illustrated in FIGURE 1.  Here originator 12 uses software application 14, such as a Loan Origination Software (LOS) package, like the commercially available package POINT® or other such software packages as is known to those skilled in the art, to enter data

10    about a residential loan.  Data 16 is collected and entered by originator 12 via software package 14 to network server 18. Network server 18 may be connected to software package 14 by any network or Internet type connection.  Network server 18 assigns mortgage data 16 a unique identifier, such as an import number.

15    Network server 18 issues a call or request 20 to investor's database 22.  Database 22 may utilize a unique identifier such as a loan number or Social Security Number  (SSN) to gather investor mortgage data set 24 that is related to that mortgage application.  Investor's database 22 then delivers data set 24 to

20    network server 18.

[0041]    Investor's data set 24 is compared to the originators' mortgage data 16.  FIGURE 2 illustrates the results of this comparison in the "Discrepancies Report" screenshot shown as being viewed by browser 29.  Discrepancies between data sets 16

25    and 24 are clearly identified in import discrepancies table 31. This table lists the discrepant items.  Column 33 enumerates the items described in column 35.  "Use" columns 30 and 32 inform the viewer which values from columns 37 and 39 may be used to resolve the discrepancy.  In this specific case, originator 12 of FIGURE

30    1 had an appraised value of $233,000.00, while investor 28 had an appraised value of $255,000.00.  Similarly, originator 12 supplied a term of 369 months, while investor 28 had a set term of 360 months.  The loan amount was yet another discrepancy.

Perhaps even more significant, originator 12 entered one-year convertible adjustable rate mortgage (ARM) 7% differed from investor's 7.5% one-year conforming non-convertible mortgage. "Use" column 32 indicates which discrepant values investor 28

5    will permit to be completed with data from originator 12. As indicated by the checkmarks in "Use" column 30, the investor's values are set as the only values, which can be used to resolve these discrepancies. In other instances investor 28 may allow originator 12 to change these values. Thus, by this mechanism,

10   investor 28 can determine what fields individual originator 12 can manipulate. Investor 28 is much less likely to allow originator 12 to directly manipulate interest rates or the type of mortgage to be funded. Thus, investor 28 controls what data originator 12 must provide in order to receive a set of

15   residential loan documents 26. In the embodiment shown in FIGURE 2, all of the investor date is to be used going forward.

[0042]    However, if originator 12 had locked the 7% rate as shown in FIGURE 2, investor 28 must change the value from 7.5 to 7 if the 7% rate is to be used for the documents of this

20   particular loan. FIGURE 2 demonstrates how costly errors typically found in residential loan documents are proactively identified and corrected. The discrepant items may comprise the previously identified items or any other item supplied by the investor or originator. The present invention allows originators

25   and investors to quickly identify and eliminate these discrepancies prior to the final preparation and execution of the mortgage documents 26. Eliminating these errors prior to execution and funding avoid unnecessary charges incurred by the investors.

30   [0043]    After the discrepancies have been identified, the originator enters the application data set into the system using a set of intelligent web based forms. FIGURE 3 shows how data may be presented to the originator via browser 29. Here loan

terms are displayed by selecting the "Terms" tab from tabs 36.
Data fields 39 may be color coded or formatted such that the
viewer clearly understands the source and status of the data by
the format of the displayed field.  In the example shown, "Total

5    Loan Amount" field 41 may have a blue or shaded background.  This
color is not depicted in the FIGURES.  This blue or shaded
background informs the viewer that the field contains investor
data.  "Sales Price" field 43 may have a different background or
color to identify the originator as the source of the displayed

10   data.  Protected data fields are identified by yet another
format, such as a gray background. Yet another format or
background identifies protected data, supplied by the investor,
which the originator typically cannot manipulate.  Still yet
another format may identify investor defaults.  Such defaults

15   include standard investor data used on all loans.  These defaults
might include late charges and other loan terms.  In one
embodiment, turquoise or another identifying color or format may
be used to identify standard inventor data.

[0044]    Web forms or pages 38 are automatically and consistently

20   populated with reconciled data from originator's database 16 and
investor data set 24.  This expedites the residential loan
process while eliminating many clerical errors.  Furthermore, as
discussed in the description of FIGURE 3, data field 39 may be
coded by format, color, shade or texture to readily identify the

25   source and access associated with individual fields.  For the
example shown in FIGURE 3, the originator may change the
appraised value but cannot change either the interest rate or
loan amount.  Various loan default values also populate the
documents.

30   [0045]    These investor loan defaults may be based on business
rules supplied by the investor.  The defaults, as supplied by the
investor, may or may not be manipulated by the originator.  This

access depends on the type and level of access granted by the investor to the originator.

[0046]     To complete the data entry process the originator or other user navigates the various web pages 38 and associated

5    interfaces, which are presented in a logical flow consistent with that specific loan. These screens are accessible from tabs 36. They include pages for the originator and investor, loan, property, terms, PMI, ARM, fees, prepaids, conditions, title or other pages for required entries associated with this particular

10   mortgage as is known to those skilled in the art.

[0047]     In the screen shot of browser 29 shown in FIGURE 4A fee tab 45 is selected. Here, business rules specify the inability for the originator to delete the investor's fees (indicated with the dark highlight). These fees include document preparation fee

15   47, origination fee 49, processing fee 51, tax service fee 53, and yield spread premium 55. The appraisal fee 57, credit report fee 59, and underwriting fee 61 are not highlighted and may be excluded by the originator. Thus, the originator at closing cannot exclude the investor's fees. This level of investor

20   control prevents loss of revenue to the investor. Therefore, investors are able to guarantee that their fees and other specified requirements are fulfilled; otherwise the loan will not be successfully processed and funded.

[0048]     The overall process is divided into four separate stages

25   as illustrated in the flow chart provided by FIGURE 5. In STAGE 1, the initial setup information is gathered and provided to the network server at which point the server compiles the data and customizes the user input process for STAGE 2. In this stage, required data is gathered to complete the documents. The data

30   collection process is facilitated by the links from tabs 36 provided in various screenshots of FIGURES 3, 4A, and 4B. Tabs 36 are linked to intelligent data collection forms. FIGURE 4B provides a screenshot of browser 29 wherein property tab 65 has

been selected. Here the originator inputs and reviews
information describing the property related to this residential
loan. The current stage of the process is depicted by toolbar 67
located immediately above and to the right of tabs 36. Once a
5    residential loan program has been selected, the web based
intelligent data collection forms 63 are automatically configured
to be consistent with that selection. This eliminates the
collection of extra and often inconsistent information, which
previously resulted in conflicting documents at closing.

10   **[0049]**    Investor rules and/or business logic are applied between
each stage and may comprise an extremely sophisticated set of
rules. For example, a description of whether or not a "short
pay" will be accepted following closing and what the terms for
that "short pay" are is one example. Other examples of investor
15   business rules include, but are not limited to, which payment
addresses an investor chooses to receive their payments.
Investors may choose to associate one payment address with first
mortgages and associate a different payment address with
additional liens. Therefore, when the residential loan documents
20   are prepared for closing, the proper payment addresses are listed
based on the conditions of the mortgage.

**[0050]**    Another example describes the required resources to be
maintained within an escrow account. In a state such as Texas,
there may be no required reserves associated with the escrow
25   account. In another state, such as North Carolina, the required
reserves may be equal to one month's worth of taxes and insurance
while in the vast majority of states the requirement is two
months. This escrow requirement is based on state laws and
maintained by investors.

30   **[0051]**    The loan originator supplies required data to the
various web-based data collection forms 63 within the input
stage. During STAGE 2, the originator can review all data and
manipulate any data the originator has access to. Certain data

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manipulations require approval and execution by the investor. Investor business rules allow direct manipulations to be made on data entered within the various data collection forms dependent on the access level granted to the originator.

[0052]    After the necessary data has been gathered, the data is audited and discrepancies are corrected in STAGE 3, prior to generating and delivering the residential loan documentation in STAGE 4.  This audit is based on investor's business rules or other compliance requirements.  These discrepancies may or may not be critical depending on the specific data field identified and loan type.

[0053]    For example, on a conventional loan to be sold to Fannie Mae an 80 percent loan to value is required.  If this is not achieved, mortgage insurance is required.  One business rule might require that a private mortgage insurance (PMI) policy be ordered for any loan where the loan to value exceeds 80 percent. This prevents the loan from closing or the preparation of loan documentation unless PMI is included as part of that package. There are some exceptions to this rule such as VA mortgages, which do not require a minimum 80 percent loan to value or PMI. Similarly, for a VA loan or a FHA loan, the proper funding fees must accompany the loan and be made part of the closing package; otherwise, the loan might not be closed and funded improperly.

[0054]    For loans originated through Fannie Mae or Freddie Mac, Fannie Mae or Freddie Mac will purchase the mortgage up to a specified amount no matter where in the country the property is located.  This differs from FHA, wherein FHA has a unique formula for determining the maximum loan value that FHA will purchase based on the median price within a given county.  This means that the amount at which FHA will purchase a mortgage loan varies throughout the United States.  Potentially every county in the United States may have different maximum loan values from FHA.

It is further conceivable that zip codes of even more localized geographic areas may further break down this type of limit.

[0055] A frequent problem occurs where an individual originator in a FHA county orders a loan for a given amount not realizing

5 that the property is actually located in a different county having a different maximum loan value. For the property illustrated in FIGURE 6, County A has a maximum loan value of $170,000.00; County B has a maximum loan value of $130,000.00. The property in question is located close to the border of County

10 A but within County B. If the originator and investor do not realize that the property is located in County B and fund a $170,000.00 loan, then FHA will not purchase this mortgage. The maximum loan the FHA will purchase for this specific property is limited to $130,000.00. Thus, this residential loan is

15 uninsurable according to FHA compliance requirements. In order to insure this individual loan, the investor must discount the value of that mortgage by the difference between what FHA will insure and the loan value. In this example this is a large cost for the investor to incur.

20 [0056] Another common error occurs when discrepancies exist between the closing date and interest rate expiration date. If the closing date is set for August 22, while the loan expiration guaranty expires on August 12, there will be difficulty in funding this loan if rates increase. The audit process will

25 identify this error as well as the other errors mentioned above, but is not limited to these simple errors. Furthermore, the audits are not limited to the investor's business rules, but all compliance rules that have been supplied by and relate to federal, state, and local compliance programs, along with

30 specific agencies or insurance programs associated with individual loan types. Other such compliance rules may be incorporated as business rules into the present invention as known to those skilled in the art.

**[0057]**     After the audit process is complete and the
discrepancies corrected, the reconciled data is re-audited to
determine if changes made in the data have created additional
conflicts.   Once this re-audit is complete and errors have been
5     reconciled the user proceeds to the Print/Delivery phase or STAGE
4 of FIGURE 5.   The present invention delivers the documents in a
variety of ways.   In FIGURE 1, Documents 26 may be viewed through
user interface 34, download 40 or e-mail 42, printed, or
delivered in any other format as is known to those skilled in the
10    art.

**[0058]**     FIGURE 7 depicts a "Delivery Information" page 44 within
browser 29.   This screen shot lists all the documents to be
enclosed within a given closing package.   Recipient Table 46
describes 3 document sets to be delivered to Executive Home
15    Mortgage, LN Closing Services, and Fremont Investment & Loan.
These document sets are to be a "complete", "user-select" and
"mini" default, respectively.   Scroll down menu 48 lists the
specific documents, quantities and descriptions of the "complete"
package selected in Table 46.   Further, this package will be
20    delivered via the web.

**[0059]**     A set of rules is associated with the document packages
for each individual closing.   Rules encompass what documents
individual loan programs and investors require.   All the same
criteria, business and compliance rules, may be applied to
25    document delivery.   Not all the documents that are available from
the forms library are included in a complete package.   Rather,
the complete package comprises all the documents that are
required for that specific loan package.

**[0060]**     The present invention allows form level data to be
30    manipulated.   Once the setup, input, and audit phases are
complete, the originator, depending on rights granted to the
originator by the investor, may edit individual data fields
within individual documents.   This ability is based on user

rights supplied by the investor. Although rights may be originator specific, investors may not give the privilege to manipulate individual fields within online documents to all originators. Rather, some trusted originators might have greater

5    abilities to manipulate various fields than other originators, which may not have the ability to manipulate any fields. This prevents the originator from being able to defeat the checks and balances imposed by the investor on the document preparation process through this application of business rules and compliance

10   requirements. For example, Investor A may specify that of the 1,000 originators that deal with Investor A, only 76 originators are trusted originators and have greater access within the system. Therefore, those trusted originators are able to access and manipulate a specific set of data fields. Another set of

15   less trusted originators may be to manipulate a different set or subset of fields. Yet another set of originators may not be able to manipulate any data fields within the documents. Investors are able to identify originators in groups or on an individual originator basis. The investor may even assign individual

20   originators, different access rights dependant on the specific loan program selected.

[0061]    One example of the need for form level editing exists for construction mortgage riders when an individual's name may be able to be changed on one particular document such that the

25   document instead of reading "Bob Smith" reads "Robert Smith," or if a different individual must be named, reads "Robert Jones." All other documents still contain the originally specified name and remain consistent throughout the loan package. This is particularly important where originators and investors deal with

30   non-standardized, specialized, or infrequently handled loan types.

[0062]    The present invention also allows originators to add additional forms to individual loan packages. The investor

grants rights to originators as to what documents the originators can add to specific loan packages. In most cases, investors may restrict the package to the set of documents specified by the investor. Different access rights may be used for different

5   originators. An investors' in-house mortgage department may be considered as an originator to whom may be granted greater rights based on their direct relationship.

[0063]   The additional forms are contained within a form library. The form library provides the originators access,

10   dependent on their specified rights, to all the forms available. When an extra form is to be included in the document package, the form is automatically completed with data received in the setup, input, and audit phases. Therefore these documents are entirely consistent with the rest of the package. Once the additional

15   form is completed, the audit may be repeated to ensure the added documents are consistent within the loan package.

[0064]   When additional documents are added to an individual loan package, investor and compliance rules verification should be repeated to ensure that the added documents and data are

20   compliant with individual investor and compliance rules. Furthermore, there may be additional business rules for those additionally added documents.

[0065]   For example, if an affidavit is included, there may be additional rules requiring that affidavit to be properly signed,

25   notarized, and provided to the investor depending on what the affidavit specifically addresses. Following the addition of documents and direct data manipulation for specific documents, the originator has the option of previewing the documents by selecting individual documents or the entire package of documents

30   for review. After this review, the finalized data set at network server 18 in FIGURE 1 is used to populate document templates 50 resident within a forms library within network server 18. These

documents are then provided via a download, print, fax, or other manner as is known to those skilled in the art for execution.

[0066]    In FIGURE 1, documents 26 may be sent as download 40 or e-mail 42 in a PDF document format.  One aspect of PDF documents

5    provides the ability to disable the print function.  This comprises setting a flag in that PDF document such that it prevents users from printing the documents until those documents are formally delivered.  Similarly, the PDF documents may be delivered in a read only format such that users do not have the

10    ability to edit PDF files.  Documents may also be supplied in the PCL format or any other format as known to those skilled in the art.  In many instances PDF may be preferred as the PDF file type and reader is present on almost every existing personal computing system.

15    [0067]    Different types of document packages may be delivered to different locations.  In the example discussed in FIGURE 7, the package is to be delivered to Executive Home Mortgage Co. via the Web as a complete package.

[0068]    The second package shown in FIGURE 7 is for "Loan

20    Closing Services," where the package is Fed Ex'ed and contains only user-selected forms.  User select means that the user specifies which documents are to be specifically contained within that package.

[0069]    The third package illustrated is for "Fremont Investment

25    & Loan."  This package is to be delivered via fax according to the instruction in recipient table 46, and will be a customized "mini" package based on the business rules supplied by that investor.  These document sets are based on the specific loan packages and may differ depending on the investor.  In many

30    cases, investors may specify a document package comprising a Note, a Deed of Trust, and an Assignment to be provided to the investor, while a copy of all other documents are provided to the closing agent.  This provides additional security in that the

original documents provided to the closing agent can be compared
to the second original provided to the investor. With these two
originals, investors can quickly identify changes to the executed
documents by comparing key documents or the entire document

5  package to the second original. After closing, but before
funding, the closing agent may be required to provide copies of
certain documents to the investor wherein those faxed documents
are compared with the second original. This comparison ensures
there are no discrepancies on key fields. This verification

10  prevents key aspects of the mortgage from being changed. The
signed copy of the Note, Security Instrument, and Truth and
Lending Statement are such documents that may be verified to
ensure there are no discrepancies. This facilitates the review
or audit of the signed documentation in real time prior to

15  funding.

[0070]    Information flow within the present invention is further
illustrated in FIGURE 8. In this flowchart, investor database
80, mortgage originator database 82, and other databases 84 and
86 are used to supply data to multiple input rules based

20  comparison engine 88. Databases 84 and 86 may comprise tax
databases, wherein appraised or accessed property values for
existing properties can be directly imported from local tax
records; IRS data to verify employment and income; or credit data
from the credit agencies. Multi-input rules based comparison

25  engine 88 compares the data from multiple and diverse databases
80, 82, 84, and 86 to create a comparison results report 90 for
display in discrepancies report 92. A screenshot of these
results was provided earlier in FIGURE 2, wherein discrepancies
between input databases are directly presented to users with

30  rules as to which data will be utilized for mortgage
documentation preparation. These rules specify which databases
may be used for specific fields or the option to choose which
database information will be used.

**[0071]** Once the discrepancies have been reconciled, additional data is supplied by server 18 of FIGURE 1 to loan documentation preparation engine 94 prior to the input phase of the loan documentation process. This data is processed with investor loan

5 defaults 96 and investor business rules and compliance requirements to generate customized web forms 100. These terms may govern late fees, "short pays", interest rates, interest rate lock expiration dates, and other such information such as known to those skilled in the art. Compliance requirements are also

10 used to ensure that costly mistakes are avoided.

**[0072]** Business rules process engine 98 verifies the data associated with the originators input from intelligent data collection forms 100. Business rules process engine 98 can also verify data with third party sources 102 or databases 84 and 86

15 such as tax assessor's office, credit bureaus, employment verification agencies, as well as IRS information associated with income. Following the completion of an audit and reconciliation of discrepancies the data by business rules process engine 98, the originator may view and manipulate form level data through a

20 form level data manipulation interface 104. This privilege is granted and assigned to individual originators by investors. The originator may add additional documents; wherein these documents are populated by data previously provided to forms 100, as well as databases 80, 82, 84, and 86. Following the manipulation of

25 any form level data, or the addition of any documents from the forms library, the business and compliance rules should be executed once more by process engine 98. When this additional audit is complete and no further changes are anticipated, the document data is finalized as data set 106 and the documents are

30 delivered as a closing package 108 to the closing agent. A "mini" package 110 comprising a second original for verification purposes may be provided to the investor. Additionally, a "user select" package 112 may be delivered.

**[0073]** Documents are delivered to various recipients 114, 116, and 118 by various channels. Such channels include a Web-based viewing 124, e-mail 126, direct printing 128, or downloads 130 of PDF, PCL or other file formats, as is known to those skilled in
5    the art.

**[0074]** The forms library comprises an extensive library of customized forms to ensure superior quality document appearance and the ability to create regulatory compliant documents for all states and potentially all residential loan programs. These
10   documents may address an unlimited number of loan types, which include, but are not limited to, FHA, VA, standard FNMA/FHLMC Conventional, adjustable rate loans, balloon loans, sub prime, buy down, second liens, interim construction loans, home equity loans, one time closing mortgages, home improvement, loan
15   modification or principal reduction loans, first liens, timely payments reward loan, a loan where only an interest is paid, bridge loans, bond loans, negative amortization, or loans that have pre-payment penalties.

**[0075]** The present invention provides an expandable solution
20   wherein the growing number of business and compliance rules may be addressed in a logical manner in order to prevent confusion by ensuring that constant changes encountered in the various mortgage programs are observed. This helps to ensure a high level of quality and the necessary flexibility to address a wide
25   variety of situations.

**[0076]** FIGURE 9 illustrates a simple version of the present invention wherein users 140 interact, via a Web browser 142, with server 144 via a network or Internet connection 146. This solution requires extensive manual input to server 144 via
30   interface 142.

**[0077]** After data has been provided to server 144, documents 148 are generated and viewed by user 140 via a user interface

150. A final set of documents 154 is typically sent as download 152 for printing prior to closing.

[0078]     A more advanced embodiment depicted in FIGURE 10 uses software package 156 to supply data 162 to server 144. User 140 then views the documents via user interface 150. This data is supplemented by investor data sources 164 and additional data submitted via interface 142. Next, the documents are provided to the user as download 152 for printing by the closing agent. This solution automates the input process and reduces manual input, but fails to reconcile data 162 with the investor data sources 164. In contrast, the present invention provides an advanced system wherein multiple databases are accessed by the software engine resident on server 144 to prepare the loan documents.

[0079]     The present invention provides a significant advantage in the high level of automation, which eliminates repetitive manual input tasks and performs automatic data integrity checks that prevent transcription errors and other costly inconsistencies.

[0080]     FIGURE 11A provides a screenshot that illustrates a variety of addresses 170 and address rules 172 associated with various investors, lenders 176, brokers, correspondent banks 170, etc. These include entity specific data associated with the various loans. FIGURE 11B illustrates one such rule that specifies where payments are to be sent for "Flag Star". FIGURE 11B depicts that an individual investor 178 such as "Flag Star" may have several different addresses 170 at which payments should be received, depending on the loan type. More specifically, dialog box 180 shows that if the loan is a "2nd lien" or "3rd lien", different addresses 120 are to be selected.

[0081]     FIGURE 12A provides a screenshot to illustrate various defaults associated with an individual company or lender. The defaults shown here are for Flag Star FSB which is serving as investor 184, information, investor name, who the authorized loan

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officers are, as well PMI recipients, escrow recipients, MIP payees, or whether or not there are prepaid PMI escrow, taxes, and hazard insurance, or other such data. FIGURE 12B illustrates in dialog box 186 that depending on the state in which the

5    property is located, different requirements are made. For example, the escrow reserves to be maintained within the escrow account vary between states. The rule provided in dialog box 186 shows that different reserves are required in PMI escrow 188 if the property and loan are to be located in Texas or North

10   Carolina, as opposed to other states.

[0082]    FIGURE 13 illustrates that business rules may be associated with specific originators. There may be instances where investor 184 may wish to preclude the originator from working with or may have to specify that the originator work with

15   specific PMI, title, or other companies when preparing mortgage information. This is shown in window 190, wherein dialog box 192 provides specific options depending on the I.D. of the originator.

[0083]    FIGURE 14 depicts the loan forms 194to be associated

20   with an individual loan and how document packages may differ, depending on such things as whether or not the owner is to occupy the property or whether or not the property is located within a flood zone. Specifically, Flag Star Bank sets a default requirement of including forms JD06C in all loans. Should Flag

25   Star, investor 184, fund the originator that Compliance Agreement 196, First Payment Letter 198, Flag Star Notification 200 and Homeowners Real Estate Tax Authorization 202 are to be included. Further Flood Insurance Notification 204 is required if the property is in a flood zone.

30   [0084]    FIGURE 15 is associated with configuring the rules based audit engine. This engine determines any improprieties or inconsistencies in the system such as whether or not a fee is included for an individual originator or investor, who the

release of the lien is prepared by, the name of the individual to whom the loan must be closed, and the mortgage insurance requirements. More specifically, the logic provided in box 208 specifies whom fees for flood insurance are to be paid dependent

5 on who is issuing the flood certification. Another logical statement made in box 208 flags the need for PMI dependent on the loan to value ratio for the loan. Yet another logical statement made in this loan addressed the preparation of warranty deeds or the preparation of lien releases.

10 **[0085]** In certain embodiments of the present invention, after the discrepant data has been identified and it has been determined which values are to be used, server 18 may write the finalized version of data to be used to the originator's or investor's database after audits, user verification and documents

15 have been delivered. An audit engine may maintain a log of which fields have been altered and by whom they were altered. For an item that originator 12 is unable to manipulate, originator 12 must contact investor 28 to have the investor change the items.

**[0086]** The present invention provides a significant improvement

20 over existing systems in that the present invention allows the originator or the investor to generate high quality, regulatory compliant, customized documents for unlimited loan types while minimizing errors associated with data entry in the residential loan documentation preparation process. This is accomplished by

25 the compilation and reconciliation of data from diverse sources, which, in turn, is used to populate document templates.

**[0087]** The present invention also allows the investor to maintain control of the document preparation process and ensure that various compliance requirements are met. This reduces costs

30 and demands on staff associated with individual mortgages. Another advantage lies in the fact that the present invention provides a user interface that tailors itself to a wide variety of loan programs.

**[0088]** Large investors often purchase mortgages in pools from correspondent banks. Use of the present invention by correspondent banks, helps ensure that their loans comply with the business rules and compliance requirements associated with

5 individual loan types and investor's business rules for investors they intend to sell their mortgage to. This helps eliminate potential costly errors, which arise when their mortgages are to be sold. Investors pool mortgages not only from correspondent banks, but also mortgages purchased directly from originators,

10 and mortgages prepared and funded by their in-house departments. The difference associated with these channels is that mortgages initiated by originators or investor in-house departments are guaranteed at their inception by the investor. Originators do not guaranty their loan to the investor. Quality assurance is

15 the responsibility of the investor. The correspondent bank initially guarantees loans initiated by correspondent banks. Investors have the option of not purchasing defective loans from correspondent banks.

**[0089]** Thus, the present invention not only provides a solution

20 for a large institutional investor's retail division, but also a solution for the institutional investor's direct sales of loan and the potential acquisition of loans from other institutions by establishing a proactive quality standard and auditing process associated with these loans. This ensures uniformity throughout

25 loan documentation, the proper application of audits, investor business rules, and compliance rules prior to closing individual loans. Furthermore, this helps ensure that the loans are both insurable and marketable and significant costs due to errors are eliminated. Investors may choose to work only with correspondent

30 banks that have established a review process such as that provided by the present invention. In other words, institutional investors may more willingly purchase loans prepared by correspondent banks using the present invention and state that

using the present invention will facilitate the purchase and acquisition of those loans initiated by correspondent banks. A large difference between the originator and the correspondent initiated loan is that when the originator closes an individual loan, the investor's money funds the closing. That is not the case when a correspondent bank is utilized. Correspondent banks fund their own loans, which are later sold. Defects within the loan give investors the ability to require correspondent banks to discount their loans based on those defects.

[0090] The present invention provides a great number of advantages over prior existing loan documentation preparation systems. Primarily, the present invention prevents costly errors, thus reducing post-closing costs associated with loans. These errors often cost tens of thousands of dollars, dependent on the discounts necessary to compensate for those errors. The present invention also provides a system and method wherein other information or valuations, which have not traditionally been properly audited prior to closing, may now be proactively examined. A reduction in the number of these errors reduces demands placed on staff. Furthermore, the present invention allows investors to safely offload documentation preparation to originators with specific limits as to what actions originators may perform dependent on investors' business rules and other compliance regulations.

[0091] The present invention provides yet another important advantage to the residential loan industry. The present invention increases process efficiency by addressing past difficulties found in accumulating, accessing, compiling, and transferring data that traditionally have slowed down the origination, underwriting, and closing process resulting in reduced profit margins. One of the most important transfers of data is from the investors and originators to the residential loan package. Further, the present invention provides a document

preparation system that is capable of applying the Mortgage Industry Standards Maintenance Organization (MISMO) standard for electronic information associated with residential loan packages. This helps to ensure that data received from originators and

5    investors as well as other diverse databases can easily be compiled and reconciled.  The application of this or other similar standards helps to eliminate problems that slow the document preparation process.  This standard provides a content and format structure under which data may be transferred among

10   parties to a transaction, including the originator, investor, lender, third party report providers, and rating agencies. However, individual parties may supplement this standard with their own unique requirements.

**[0092]**    Although the present invention has been described in detail, it should be understood that various changes, substitutions, and alterations can be made hereto without departing from the spirit and scope of the invention as described

5    by the appended claims.